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Application of Duke Energy Carolinas,  
LLC for Approval of Demand-Side  
Management and Energy Efficiency Rider  
12, Increasing Residential Rates and  
Decreasing Non-Residential Rates

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DUKE ENERGY CAROLINAS, LLC'S  
RESPONSE TO COMMENTS

## I. Background

On March 2, 2020, the Company filed its annual application to recover certain costs and revenue associated with its demand-side management (“DSM”) and energy efficiency (“EE”) programs. The proposed Rider 12 provides for the recovery of DSM/EE costs allocated jurisdictionally to South Carolina for the test period, January 1, 2019 through December 31, 2019, and for the forecast period, January 1, 2021 through December 31, 2021; net lost revenues for DSM and EE programs as applicable; and program/portfolio performance incentives as applicable.

in accordance with Order No. 2013-889. That order, which granted the Company's application for implementation of a new EE/DSM cost recovery mechanism, permitted DEC to annually recover all reasonable and prudent costs incurred for adopting and implementing DSM and EE measures.

On May 21, 2020, Walmart Inc. ("Walmart") filed a letter in lieu of comments. On May 22, 2020 the ORS filed its review report and the South Carolina State Conference of the NAACP, the Southern Alliance for Clean Energy, and the South Carolina Coastal Conservation League (collectively, "NAACP/SACE/CCL") filed comments.

## **II. ORS Report**

In its report filed in this proceeding, ORS recommends the approval of the Company's requested Rider 12 rates as proposed in their Application, finding that "the updated DSM/EE Rate Riders were developed in accordance with the terms and conditions set forth by the Commission and are based on reasonable estimates of participation in the Company's DSM/EE programs." ORS Report at 13.

ORS proposed a reduction of \$15,568 to South Carolina program costs to account for the removal of certain expenses that were either not allowable for ratemaking purposes or lacked appropriate documentation for cost recovery. Since the impact on the proposed rates from this adjustment is negligible, correcting journal entries will be made by the Company prior to its next DSM/EE cost recovery filing.

ORS also expressed concern that the non-residential EnergyWise for Business ("EWfB") and non-residential Information Technology Energy Efficient ("ITEE") Programs have not passed cost effectiveness testing, and recommended that the Company incorporate the necessary changes to improve their cost effectiveness.

The Company appreciates ORS's review of the Company's application and its recommendation that its proposed Rider 12 application be approved by the Commission. The Company accepts the program cost audit adjustment and will make correcting journal entries prior to its next DSM/EE cost recovery filing. As for the EWfB and ITEE programs, the Company will continue to seek ways to improve their cost-effectiveness.

### **III. Other Parties' Comments**

Walmart does not oppose the Company's proposed rider in this proceeding, and reaffirms its willingness and desire to work cooperatively with the Company and ORS. In its comments, Walmart references modifying the Company's opt-out procedures. This proceeding, however, is limited in scope to a review of the proposed Rider 12 rates and does not present an opportunity to modify the mechanism approved by Order No. 2013-889, including its opt-out provisions.

NAACP/SACE/CCL filed extensive comments offering views on various components of the Company's EE/DSM programs. The Company looks forward to continuing to work within the Collaborative with SACE, CCL, and other stakeholder-members for the purposes of refining its program offerings and their effectiveness.

#### *A. Implementation of a "Strategic Plan" & Lower Projections*

NAACP/SACE/CCL proposes that the Carolinas Collaborative develop a "strategic plan" for DEC that includes a project schedule, program modification recommendations and forecasts for anticipated savings and cost effectiveness levels, and then present final results in a report due January 31, 2021. The Company believes that these recommendations are inconsistent with the scope and purpose of the Collaborative, and that such changes are unnecessary in light of the work already being accomplished. The Collaborative serves as an advisory group of interested stakeholders who provide insight and input to the program administrator, Duke Energy. At page

8 of its comments, NAACP/SACE/CCL “commend DEC for its willingness to engage with Collaborative participants on new program concepts and strategies for achieving increased energy savings.” Indeed, DEC is the leader in EE savings across the Southeast,<sup>1</sup> and is committed to offering any and all cost-effective energy efficiency opportunities. DEC sees no benefit in setting an arbitrary date and applying a “project schedule” to a process that is already working well. The lower projections noted in the comments result from factors well-known to the Collaborative that are outside of the Company’s control, namely increased federal equipment standards and changing market conditions. For example, energy savings from residential lighting measures alone are projected to be 73% lower in 2021 than they were in 2019. Additionally, as Collaborative members have been informed, because projections in the Company’s Rider filings are used to set rates, the Company is conservative in its projections in order to avoid improperly raising rates and over-collecting from customers. It is important to note that the Company is not constrained by projected budgets included in the rider filing should greater than projected participation occur or additional energy efficiency offerings be added to the Company’s portfolio of programs.

### *B. Opt-Out Self-Reporting*

DEC believes that NAACP/SACE/CCL’s proposals related to opt outs are well outside of the scope of this Rider proceeding. DEC’s current opt out policies were agreed to as part of the EE/DSM mechanism settlement agreement entered into by SACE and CCL in Docket No. 2013-298-E and approved by this Commission in Order No. 2013-889. As noted above, this Rider proceeding is limited in scope and not the appropriate forum for modifying components of the Commission-approved mechanism. Further, requiring that opted out customers report their

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<sup>1</sup> See Southern Alliance for Clean Energy, *Energy Efficiency in the Southeast 2019 Annual Report* at 5 (2019), available at <https://cleanenergy.org/wp-content/uploads/2019-EE-in-SE-Final.pdf>.

savings to remain opted out would increase the Company's administrative burden, the cost of which would be borne by small and medium-sized customers who are not opted out. Additionally, industrial and large commercial customers have asserted that sharing details of their energy saving methods could expose proprietary information and undermine their attempts to achieve a competitive advantage through lower operating costs.

*C. Low-Income Program Performance*

As related to NAACP/SACE/CCL's concerns regarding low-income programs, DEC would note that it recently received approval from the Commission to expand the measures it offers in the Neighborhood Energy Saver ("NES") program to include deeper weatherization,<sup>2</sup> a modification designed to address some of the complex issues facing the income-qualified weatherization assistance program ("IQWAP"). The Durham, North Carolina pilot program referenced by NAACP/SACE/CCL was made possible by a North Carolina rate case settlement that supplied funds for health and safety upgrades to low-income homes that would otherwise be excluded from weatherization projects. Funding for a similar project in South Carolina is not available at this time.

*D. Reporting of Savings*

As related to NAACP/SACE/CCL's suggestion that DEC report savings on a state-specific basis rather than as allocated savings in DEC's annual rider filings, DEC reports program savings and allocates costs for ratemaking purposes at the system level in the annual filing. While the Company tracks the revenue impact of programs at the meter to ensure lost revenue is calculated properly, those impacts are not the same as system savings at the plant, the metric by which EE program effectiveness is determined. State-specific information is shared within the Collaborative

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<sup>2</sup> See Order No. 2020-90, Docket No. 2013-298-E (Jan. 29, 2020).

twice each year and is frequently provided in the program updates filed with each application.

*E. Collaborative Reporting to the Commission*

NAACP/SACE/CCL has proposed that the Collaborative report to the Commission items discussed in order to provide “a more structured means of exchanging information between the Commission and the Collaborative.” The Company believes that the role of the Collaborative is as an advisory group to the Company in order to improve its EE/DSM program offerings. For that reason, reporting between the Collaborative and the Commission would be unnecessary. Further, members of the Office of Regulatory Staff participate in the Collaborative and provide a review report to the Commission, and individual organizations—such as SACE and CCL—participate in the Collaborative and can report on the Collaborative’s progress by submitting comments to the Commission. Because the Collaborative includes both South Carolina stakeholders and stakeholders who are involved in North Carolina proceedings—for example, the North Carolina Public Staff and North Carolina industrial groups—a requirement that the Collaborative report to the Commission would improperly impose requirements upon these North Carolina entities.

*F. EE/DSM Response to the Pandemic*

Duke Energy has launched a corporate strategy to address the needs of customers in the context of the COVID-19 pandemic, rather than through an EE-specific plan. The corporate strategy includes initiatives such as the moratorium on disconnections; the suspension of all fees associated with connection, reconnection and payments; and Duke Foundation financial support for food banks and agencies that provide bill assistance. While the Company has had to temporarily suspend programs that require in-home consultations or installations, it has updated its customer communications with more tips related to working from home, and it continues to provide self-install measures such as energy saving kits and free LEDs by mail to qualifying

customers. Additionally, all programs will resume full operations once the Company is confident that the safety of its customers and employees can be ensured. The recommendation that DEC roll over unspent EE funds to future program years is immaterial since program expenditures are trued up as part of the annual proceeding, and the cost recovery mechanism approved by this Commission does not cap annual EE spending, thus ensuring that demand from future participants will be fully funded.

### **CONCLUSION**

WHEREFORE, the Company requests that the Commission approve the Company's proposed Rider 12 to be effective January 1, 2021, subject to the program cost audit adjustment; and grant such other relief as the Commission deems just and proper.

Respectfully submitted this 12<sup>th</sup> day of June, 2020.

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